Asahi Diamond Industrial Co., Ltd.

November 13,2018

Summary of the Consolidated Financial Results for the Second Quarter Ended September 30,2018

① Financial statements

1) Consolidated Balance Sheets

Millions of yen

	FISCAL YEAR	SECOND QUARTER
	2018/3	2018/9
Cash and deposits	18,202	18,891
Notes and accounts receivable-trade	12,782	11,819
Securities	266	217
Merchandise and finished goods	2,413	2,485
Work in process	1,820	1,801
Raw materials and supplies	2,458	2,169
Other	449	495
Allowance for doubtful accounts	△ 364	△ 92
Current assets	38,029	37,787
Buildings and structures, net	8,122	7,968
Machinery, equipment and vehicles, net	5,434	5,401
Land	5,061	5,029
Other, net	1,300	1,286
Property, plant and equipment	19,919	19,686
Intangible assets	107	97
Investment securities	14,236	13,897
Other	3,075	3,089
Allowance for doubtful accounts	△ 690	△ 639
Investments and other assets	16,621	16,347
Non-current assets	36,648	36,132
Assets	74,678	73,920

※Note

- This report contains estimates and forecasts pertaining to the future plans and business results. Such statements are based on information available at the time of the report's production and include potential risks and uncertainties. Actual results may differ from estimates and forecasts contained herein.
- Numbers with "△" indicate negative numbers.

Millions of yen

	FISCAL YEAR	SECOND QUARTER
	2018/3	2018/9
Notes and accounts payable – trade	1,865	1,765
Short-term loans payable	490	440
Income taxes payable	1,087	438
Provision for bonuses	811	775
Provision for business structure improvement	14	13
Other	2,151	2,430
Current liabilities	6,421	5,854
Net defined benefit liability	7,801	7,767
Provision for business structure improvement	24	23
Provision for stock benefits	—	9
Other	723	711
Non-current liabilities	8,548	8,511
Liabilities	14,969	14,366
Capital stock	4,102	4,102
Capital surplus	7,129	7,129
Retained earnings	42,671	43,621
Treasury shares	△ 4	△ 155
Shareholders' equity	53,898	54,697
Valuation difference on available-for-sale securities	3,786	3,774
Revaluation reserve for land	162	160
Foreign currency translation adjustment	589	△ 301
Remeasurements of defined benefit plans	△ 16	△ 7
Total accumulated other comprehensive income	4,522	3,625
Non-controlling interests	1,287	1,231
Net assets	59,708	59,553
Liabilities and net assets	74,678	73,920

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

Millions of yen

	SECOND QUARTER	
	2017/4-9	2018/4-9
Net sales	21,926	20,875
Cost of sales	15,828	15,411
Gross profit	6,097	5,463
Selling expenses	2,593	2,328
General and administrative expenses	1,700	1,741
Selling, general and administrative expenses	4,294	4,070
Operating profit	1,802	1,392
Interest income	24	31
Dividend income	91	98
Foreign exchange gains	68	92
Share of profit of entities accounted for using equity method	31	22
Miscellaneous income	28	46
Non-operating income	244	291
Interest expenses	3	4
Miscellaneous loss	1	2
Non-operating expenses	4	6
Ordinary profit	2,043	1,678
Gain on sales of investment securities	26	—
Gain on liquidation of subsidiaries	—	19
Extraordinary income	26	19
Profit before income taxes	2,069	1,697
Income taxes - current	446	382
Income taxes - deferred	105	3
Income taxes	551	385
Profit	1,518	1,312
Profit attributable to non-controlling interests	28	71
Profit attributable to owners of parent	1,489	1,240

Consolidated Statements of Comprehensive Income

Millions of yen

	SECOND QUARTER	
	2017/4-9	2018/4-9
Profit	1,518	1,312
Other comprehensive income		
Valuation difference on available-for-sale securities	680	△ 12
Revaluation reserve for land	—	△ 2
Foreign currency translation adjustment	48	△ 616
Remeasurements of defined benefit plans	16	15
Share of other comprehensive income of entities accounted for using equity method	58	△ 339
Other comprehensive income	803	△ 954
Comprehensive income	2,321	357
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,320	486
Comprehensive income attributable to non-controlling interests	0	△ 129

3) Consolidated Statements of Cash Flows

Millions of yen

	SECOND QUARTER	
	2017/4-9	2018/4-9
Cash flows from operating activities		
Profit before income taxes	2,069	1,697
Depreciation	1,529	1,184
Increase (decrease) in allowance for doubtful accounts	△ 33	△ 283
Increase (decrease) in provision for bonuses	117	△ 33
Increase (decrease) in net defined benefit liability	12	20
Increase (decrease) in provision for stock benefits	—	9
Increase (decrease) in provision for business structure improvement	△ 1	△0
Interest and dividend income	△ 116	△ 130
Interest expenses	3	4
Share of (profit) loss of entities accounted for using equity method	△ 31	△ 22
Loss (gain) on sales of investment securities	△ 26	—
Loss (gain) on liquidation of subsidiaries	—	△ 19
Decrease (increase) in notes and accounts receivable - trade	△ 1,023	797
Decrease (increase) in inventories	275	135
Increase (decrease) in notes and accounts payable - trade	139	△ 22
Other, net	709	101
Subtotal	3,262	3,437
Interest and dividend income received	116	130
Interest expenses paid	△ 3	△ 4
Income taxes paid	△ 120	△ 1,020
Net cash provided by (used in) operating activities	3,255	2,543
Cash flows from investing activities		
Purchase of property, plant and equipment	△ 944	△ 1,010
Proceeds from sales of property, plant and equipment	4	12
Purchase of investment securities	△ 13	△ 16
Proceeds from sales of investment securities	48	0
Other, net	0	△ 91
Net cash provided by (used in) investing activities	△ 904	△ 1,105

Millions of yen

	SECOND QUARTER	
	2017/4-9	2018/4-9
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	30	△ 33
Purchase of treasury shares	△0	△ 150
Cash dividends paid	△ 335	△ 281
Other, net	△ 118	△ 115
Net cash provided by (used in) financing activities	△ 424	△ 580
Effect of exchange rate change on cash and cash equivalents	△ 20	△ 218
Net increase (decrease) in cash and cash equivalents	1,905	639
Cash and cash equivalents at beginning of period	15,276	18,468
Cash and cash equivalents at end of period	17,182	19,108

② Financial data

1) Forecast (2018/4-2019/3)

Net sales (Millions of yen)	Operating profit (Millions of yen)	Ordinary profit (Millions of yen)	Profit attributable to owners of parent (Millions of yen)	Earnings per share [EPS] (Yen)
41,000	2,150	2,600	1,750	31.49

2) Consolidated financial indicator

		SECOND QUARTER		FISCAL YEAR	FORECAST
		2017/4-9	2018/4-9	2017/4-2018/3	2018/4-2019/3
		Amount	Amount	Amount	Amount
Operating profit ratio	(%)	8.2	6.7	10.2	5.2
Ordinary profit ratio	(%)	9.3	8.0	11.2	6.3
Return on assets [ROA]	(%)	2.1	1.7	2.2	—
Return on equity [ROE]	(%)	2.6	2.1	2.8	—
Capital expenditures	Millions of yen	949	1,257	2,295	5,000
Depreciation [Property, plant and equipment]	Millions of yen	1,502	1,160	3,111	2,600
Research and development expenses	Millions of yen	889	890	1,802	1,750
Number of employees	Number	2,161	2,208	2,157	—

3) Consolidated Net Sales Breakdown

Consolidated Net Sales Breakdown by Industry

Millions of yen

	SECOND QUARTER				FISCAL YEAR		FORECAST	
	2017/4-9		2018/4-9		2017/4-2018/3		2018/4-2019/3	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Electronics and Semiconductor	9,044	41.2	7,330	35.1	19,257	42.4	13,650	33.3
Transportation	4,464	20.4	4,962	23.8	9,300	20.5	9,950	24.2
Machinery	4,785	21.8	5,314	25.5	9,884	21.7	10,600	25.9
Stone and Construction	2,709	12.4	2,509	12.0	5,353	11.8	5,250	12.8
Other	922	4.2	758	3.6	1,662	3.6	1,550	3.8
Net sales	21,926	100.0	20,875	100.0	45,458	100.0	41,000	100.0

Consolidated Net Sales Breakdown by Geographical Region

Millions of yen

	SECOND QUARTER				FISCAL YEAR		FORECAST	
	2017/4-9		2018/4-9		2017/4-2018/3		2018/4-2019/3	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Japan	10,013	45.7	10,552	50.5	20,480	45.0	21,000	51.2
Taiwan	2,286	10.4	1,883	9.0	4,487	9.9	3,700	9.0
China	3,264	14.9	2,069	9.9	7,668	16.9	3,700	9.0
Other Asia and Oceania	2,960	13.5	2,829	13.6	6,042	13.3	5,800	14.2
Europe	2,018	9.2	2,185	10.5	4,079	9.0	3,900	9.5
Other	1,382	6.3	1,355	6.5	2,700	5.9	2,900	7.1
Net sales	21,926	100.0	20,875	100.0	45,458	100.0	41,000	100.0